

13 July 2011

Submissions  
TPAG Chair  
c/- Electricity Authority  
PO Box 10041  
**Wellington 6143**

Dear Graham

### **TPAG Transmission Pricing Discussion Paper**


MainPower welcomes the opportunity to comment on the Transmission Pricing Discussion Paper dated 7 June 2011, presented by the Transmission Pricing Advisory Group ("TPAG").

As a distributor and local generation owner in the upper South Island, MainPower supports the "postage stamp transition" option to reallocate HVDC charges. This removes a significant financial barrier to new generation opportunities in the South Island, while avoiding price shock to the end consumers. We agree with TPAG's analysis that end consumers could be financially penalised in the short term, however we wish to point out this will be offset by a greater benefit of lower wholesale prices due to increased generation capacity.

We hold grave reservations, however, over the proposal to levy kvar charges as a static reactive compensation measure. The TPAG is aware, as indicated under point 8.2.5 of the discussion paper, that it is more efficient at times to locate static reactive compensation equipment at the distributor's network. There is little justification to propose a pricing structure implying a different, in this case Transpower, ownership structure for the equipment.

In conclusion, we consider the proposal to reallocate the HVDC costs on a "postage stamp transition" basis to be fundamentally sensible; while we believe the proposed static reactive compensation measures underpins a deficient ownership structure.

Yours sincerely

  
Joel Hung  
Commercial Analyst